

## **Exhibit B**

1 DAVID SKEEL

2 A The difference between what  
3 National recovers under the plan as it's  
4 currently written and what the  
5 non-settling bondholders and monolines  
6 recover is meaningful. Again, it would  
7 depend on what the CVI possibility is.

8 Q In the 2019 RSA that we  
9 looked at, the other monolines, besides  
10 National and the ad hoc group, the  
11 bondholders all got the same exchange  
12 rate; right?

13 A I believe that is correct.

14 Q Is it your view as a board  
15 member that National's different  
16 treatment from other bondholders and  
17 monolines is necessary to PREPA's  
18 reorganization?

19 A I don't know whether -- I  
20 would say necessary because that involves  
21 speculation about different possibilities  
22 for reorganization. What I will say is,  
23 it is an important piece of what we think  
24 is a confirmable plan of adjustment.

25 Q Why do you say that?

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2 A Why do I say it's an  
3 important piece?

4 Q Yes.

5 A Because National is one of  
6 the largest creditors. All told, they're  
7 owed about a billion dollars when you  
8 consider all of their claims. And as a  
9 result of this settlement, they are  
10 agreeing to give up their -- they've  
11 agreed to give up their claims, that they  
12 were fully secured, that they were  
13 entitled to not just 100 cents on the  
14 dollar, but 100 cents plus accrued  
15 interest. They agreed to give all of  
16 that up. And they agreed to take  
17 significantly less. They agreed to  
18 support the plan. They agreed to vote in  
19 favor of the plan, all of which are very  
20 attractive benefits to us.

21 Q Is the reorganization  
22 contemplated by the plan unworkable in  
23 the absence of the National settlement?

24 MR. FIRESTEIN: Objection,  
25 vague.

1 DAVID SKEEL

2 A That's very speculative.  
3 There are lots of different possible  
4 confirmable plans of adjustment.

5 Q Under the plan of  
6 adjustment, the National settlement is  
7 not offered to the other bondholders and  
8 monolines; correct?

9 MR. FIRESTEIN: I'm sorry.  
10 Let me just read the question. I had  
11 asked for realtime. But I didn't get  
12 one.

13 MR. ORSECK: I'll say it  
14 again.

15 Q Under the plan of  
16 adjustment, the term of the National  
17 settlement is not provided to the other  
18 bondholders or monolines; correct?

19 A That is correct. The plan  
20 of adjustment -- the current plan of  
21 adjustment does not provide the same  
22 terms for other monolines or bondholders.

23 Q Was the same exchange rate  
24 or the same deal reached with National  
25 offered at some point to other

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2                   bondholders; right?

3                               MR. NATBONY:   Yes.

4                   A               There is -- there are  
5                   reasons why the fuel line lender recovery  
6                   looks like what -- looks the way it  
7                   looks, is what it is.

8                   Q               What do you mean by that?

9                   A               There were negotiations that  
10                  led to the agreement with the fuel line  
11                  lenders. And the negotiations were very  
12                  much specific to the attributes of the  
13                  fuel line lenders' claim, which is quite  
14                  different from the bondholders' claim.  
15                  And the argument that the fuel line  
16                  lenders made was that they were entitled  
17                  to current expense treatment. And they  
18                  were entitled to 100 cents on the dollar.  
19                  And they had a number of reasons for that  
20                  argument.

21                               And we settled it. And we  
22                  concluded that the settlement we reached  
23                  was appropriate, given the arguments that  
24                  they had, the benefits that we would get  
25                  from the settlement and the overall

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2       structure of the settlement.

3               Q               What was the benefit -- what  
4       were the benefits that you believe that  
5       the board and PREPA would have gotten by  
6       entering into that settlement?

7               A               The benefits were that they  
8       compromised their claim at less than 100  
9       cents on the dollar. And we thought it  
10      was a pretty strong claim. They are a  
11      sizable claim that is now supportive of  
12      the plan and will vote in favor of the  
13      plan of adjustment and will not object to  
14      the plan of adjustment. And all of those  
15      were attractive benefits.

16              Q               And can you identify what in  
17      particular swayed the board to accept an  
18      84 percent recovery rate?

19                           MR. FIRESTEIN: I think the  
20      form of your question seeks  
21      deliberative process. I'll instruct  
22      the witness not to answer. He's  
23      already told you what his  
24      understanding was of it. You can  
25      reframe, if you wish.

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2 Q With respect to you as a  
3 voter on the -- let's start with this.

4 The board did vote and  
5 approve the PSA for the fuel line  
6 lenders; correct?

7 A Yes. The board did.

8 Q And in your view, what  
9 argument presented by the fuel line  
10 lenders in particular swayed you to  
11 approve the PSA?

12 A I don't know that there was  
13 a single argument that swayed me to vote  
14 yes. I will say that they had and have a  
15 couple fairly strong arguments for  
16 current expense treatment that other  
17 creditors didn't have. One of those  
18 arguments is that they are specifically  
19 mentioned in the trust indenture.

20 Another is that they claimed  
21 that there are more than one contract  
22 with PREPA where PREPA said that they are  
23 current expense claimants. And we oppose  
24 those arguments. And we took litigation  
25 positions against those arguments. But

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2 Are you able to look at this  
3 trust agreement and point to me where  
4 there is a current expense definition  
5 that includes the fuel line lender  
6 claims?

7 MR. FIRESTEIN: It's 124  
8 pages.

9 MR. NATBONY: The  
10 interrogatories said that it's in  
11 there. I'm asking him to point to  
12 where it is.

13 MR. FIRESTEIN: The  
14 interrogatory is a response made on  
15 behalf of the entity. You know the  
16 difference between what someone's  
17 personal knowledge is and what an  
18 interrogatory response is. And  
19 putting a 124-page --

20 MR. KIRPALANI: You're  
21 chewing up a lot of our time with  
22 these speaking objections.

23 MR. FIRESTEIN: Can I tell  
24 you, Susheel? What's chewing up a  
25 lot of our time is asking about



1 DAVID SKEEL

2 questions pertaining to pleadings  
3 that were filed four years ago.  
4 We've gone through it over and over  
5 again.

6 MR. NATBONY: I'll rephrase  
7 the question.

8 Q Mr. Skeel, do you know where  
9 in the trust agreement, there is a  
10 definition showing that the fuel line  
11 lender expenses are current expenses?

12 A I am not particularly  
13 familiar with the terms of the trust  
14 agreement. So I would have difficulty  
15 finding particular provisions.

16 Q Are you aware whether in the  
17 trust agreement, current expenses are  
18 defined in a manner that makes  
19 post-petition interest senior to  
20 bondholder claims?

21 MR. FIRESTEIN: Calls for a  
22 legal conclusion, lacks foundation.

23 A I don't know, one way or  
24 another.

25 Q Are you familiar at all

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2 whether -- strike that.

3 MR. NATBONY: Let's put that  
4 aside.

5 Q There's a current plan in  
6 place for PREPA; correct?

7 A That is correct.

8 Q And under the plan, new  
9 bonds are going to be issued by PREPA;  
10 right?

11 A That is correct. New bonds  
12 will be issued.

13 Q Do you know whether under  
14 that plan, bondholders have any recourse  
15 to compel PREPA to pay back principal and  
16 interest?

17 MR. FIRESTEIN: Calls for a  
18 legal conclusion.

19 A What do you mean by compel  
20 creditors to pay back?

21 Q Well, for instance, are you  
22 familiar with the concept of an interest  
23 rate covenant?

24 A Yes, I am.

25 Q And that's different than a

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2 that the fuel line lenders' argument,  
3 that they are entitled to current expense  
4 priority, would give them priority over  
5 the claims only of the bondholders and  
6 not other creditors?

7 MR. FIRESTEIN: I'm sorry.

8 Hold on one second. Lacks  
9 foundation, calls for a legal  
10 conclusion. You can answer if you  
11 know.

12 A What I would say is I would  
13 need more to the question. It would give  
14 them priority over the bondholders. I  
15 don't know that it would give them  
16 priority over everybody. It would depend  
17 on who those other creditors are.

18 Q Well, are you aware of any  
19 basis on which the fuel line lenders  
20 could claim priority over creditors,  
21 other than the bondholders?

22 MR. FIRESTEIN: Hold on.  
23 I'm going to object to the question  
24 and direct you that if your source of  
25 information is anything other than

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2 what you've communicated with your  
3 lawyers, you could speak to that. If  
4 it's based on communications with  
5 your lawyers, I'll instruct you not  
6 to answer. With that admonition, can  
7 you answer the question?

8 THE WITNESS: I'm not sure.

9 A Can you ask the question  
10 again?

11 Q The question was, I asked  
12 you if you were aware of any basis on  
13 which the fuel line lenders could claim  
14 priority over creditors, other than the  
15 bondholders.

16 A What I could say is their  
17 principal argument for special treatment  
18 is their current expenses argument. I  
19 can't say more than that.

20 Q You don't know whether that  
21 current expense argument would give them  
22 priority over creditors, other than the  
23 bondholders?

24 MR. FIRESTEIN: Same  
25 objection.

1 DAVID SKEEL

2 A I don't know the precise  
3 parameters of how far that goes, no.

4 Q You believe, Mr. Skeel,  
5 that -- Professor Skeel that it's  
6 reasonable that the fuel line lenders  
7 receive a better recovery under the plan  
8 than general unsecured creditors?

9 A Well, I'm going to push back  
10 a little bit on the terms of the question  
11 because it is possible for the unsecured  
12 creditors to be paid 100 cents on the  
13 dollar, depending on happens in the  
14 litigation.

15 Q Assuming that the scenario  
16 that we talked about earlier?

17 A Full 8 and a half billion?

18 Q Full 8 and a half billion  
19 and \$800 million in claims, in that  
20 situation, it's reasonable in your view  
21 for the fuel line lenders to receive a  
22 higher recovery than unsecured creditors?

23 A I do believe it's  
24 reasonable, yes.

25 Q How can you say that's

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2 reasonable without having an  
3 understanding of whether the fuel line  
4 lenders have any argument that they're  
5 entitled to priority over general  
6 unsecured creditors?

7 A I can say it relying on my  
8 lawyers.

9 MR. FIRESTEIN: Don't tell  
10 them what you said, what they said to  
11 you. So if that's it, that's it.

12 A I've been given enough  
13 information about the settlement and the  
14 strengths of the arguments on both sides  
15 to be able to determine its  
16 reasonableness in my view.

17 Q But you're not able to tell  
18 me without revealing communications with  
19 counsel whether you're aware of any basis  
20 for the fuel line lenders' position that  
21 they have priority over general unsecured  
22 creditors?

23 A I've already said I don't  
24 know all of the parameters of the current  
25 expense, seniority that they've argued

1 DAVID SKEEL

2 answered.

3 Q Has the board done any  
4 analysis of -- has the board or PREPA  
5 done any analysis of whether the fuel  
6 line lender claims, in fact, qualify as  
7 current expense claims?

8 MR. FIRESTEIN: So, A, it's  
9 compound. B, to the extent it's  
10 directed at the board, it's the  
11 deliberative process piece which is  
12 not proper. So start with the  
13 compound piece. You said the board  
14 or PREPA.

15 Q Has the board done any  
16 analysis of whether the fuel line  
17 lenders' claim qualify as current expense  
18 claims?

19 MR. FIRESTEIN: You can  
20 answer that question yes or no, if  
21 you know.

22 A Yes. If the board is  
23 defined as the board and its advisors,  
24 yes.

25 Q And I assume you're not

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2 going to be able to tell me the  
3 conclusion of that analysis?

4 A Correct.

5 Q Has PREPA, to your  
6 understanding, done any analysis of  
7 whether the fuel line lenders' claim  
8 qualify as current expense claims?

9 A I don't know.

10 Q Has the board, to your  
11 understanding, done an analysis of  
12 whether any general unsecured claims,  
13 other than the fuel line lender claims,  
14 qualify as current expenses?

15 MR. FIRESTEIN: It's the  
16 same yes-or-no question, if you know.

17 A I don't know.

18 Q Do you personally have any  
19 understanding of whether claims within  
20 the general unsecured claims pool also  
21 qualify as current expenses?

22 MR. FIRESTEIN: If you know.

23 A I do not know of a  
24 particular claim that qualifies. It is  
25 possible that there is an unsecured claim



1 DAVID SKEEL

2 that qualifies in my view.

3 Q If there was another  
4 unsecured claim that qualifies as a  
5 current expense claim, is there any  
6 reason, to your knowledge, why a fuel  
7 line lender's claim would be entitled to  
8 better treatment than such other  
9 unsecured claim that is also a current  
10 expense claim?

11 MR. FIRESTEIN: Lacks  
12 foundation, calls for a legal  
13 conclusion. If your source of  
14 information is anything other than  
15 conversations you had with your  
16 lawyers, you can speak to that if you  
17 understand the question, otherwise I  
18 would instruct you not to answer.

19 A I'll just say that there are  
20 other considerations that go in.  
21 Settling a big claim is more attractive  
22 than settling a small claim. So I really  
23 can't answer the question in the  
24 abstract.

25 Q Setting aside those other

1 DAVID SKEEL

2 considerations, are you aware of any  
3 reason why a fuel line lender's claim  
4 would have a greater legal entitlement to  
5 payment from PREPA as compared to another  
6 general unsecured claim that is also a  
7 current expense claim?

8 MR. FIRESTEIN: I'm going to  
9 instruct him not to answer that  
10 question. You're expressly asking  
11 for a legal conclusion. It's clearly  
12 invading attorney-client privilege  
13 because you excluded his answer that  
14 he gave you before. So I don't know  
15 how it could be anything but.

16 MR. BASSETT: I don't know  
17 how he's able to sit here and testify  
18 to the reasonableness of a settlement  
19 if he's not able to explain the basis  
20 for how he gets that.

21 MR. FIRESTEIN: You could  
22 argue that sometime if you'd like.  
23 But he's already articulated for you  
24 what his reasonable basis is.

25 Q You're not going to answer

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2 completely secured. And they were  
3 entitled to 100 cents on the dollar, plus  
4 post-petition interest for the duration  
5 of the case. And in return for the  
6 settlement, they compromised that  
7 argument and agreed to take the  
8 71.65 percent.

9 And the other components of  
10 the deal, they agreed to support the plan  
11 to vote in favor of the plan. And by  
12 reaching the deal with them, we took  
13 roughly a billion dollars off the table.  
14 So it was a very attractive settlement.

15 Q The settlement with National  
16 was reached the end of January,  
17 approximately, of this year; is that  
18 right?

19 A I don't remember exactly  
20 when it was. But it was sometime around  
21 then.

22 Q And then sometime after  
23 that, the court issued its summary  
24 judgment decision in the lien challenge  
25 litigation?

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2 A That is correct.

3 Q Have you -- strike that.

4 Do you believe that sitting  
5 here today, in light of the decision  
6 issued by the court, concerning the  
7 narrow scope of National's lien that the  
8 National settlement is still reasonable?

9 A I think it was a very  
10 reasonable -- it is a reasonable  
11 settlement. We settled it at a time when  
12 we didn't know what the outcome of  
13 that -- of that litigation is. And I  
14 think it was a very sensible settlement.

15 Q And at the time you settled  
16 it, that litigation was ongoing; right?

17 A It was ongoing, yes.

18 Q And when you entered into  
19 the settlement, you knew that the  
20 litigation would continue; right?

21 A We knew that -- we knew it  
22 would continue. It had been argued. And  
23 it would continue.

24 Q Does the National settlement  
25 contain any kind of fiduciary out or

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2       other provision that would allow the  
3       board to either get out of the deal or  
4       restructure it in light of the court's  
5       ruling?

6                   A           I don't remember whether  
7       there were -- whether there were  
8       provisions of that sort or not.

9                   Q           Also, do you have any  
10      understanding of whether the board could  
11      get out of the deal today, if it wanted  
12      to based on the new facts before it,  
13      including the decision the court has  
14      issued?

15                  A           I would have to look at the  
16      agreement to read through the various  
17      provisions and conditions in the  
18      agreement. So sitting here today, I  
19      don't know what the precise details are.

20                  Q           Well, do you believe the  
21      board has a duty to reevaluate the  
22      reasonableness of this settlement in  
23      light of the court's decision?

24                  A           I believe that the  
25      settlement was reasonable when we made

1 DAVID SKEEL

2 it. And I don't believe that the court's  
3 decision has changed that fact. It still  
4 was reasonable when we made it.

5 Q Well, the court's decision  
6 drastically changes the scope of the  
7 bondholders' security interest, including  
8 National, as compared to what they were  
9 arguing in the litigation; right?

10 A It does, although there are  
11 still some open variables. There's still  
12 the possibility that it will be appealed.  
13 And the extent of the bondholders' claim  
14 is -- is not yet clear. There still are  
15 open issues in the litigation.

16 Q And because of the open  
17 issues that remain in litigation today,  
18 it's your view that the National  
19 settlement, as it is set forth in the  
20 National PSA and in the plan, remains  
21 reasonable?

22 A I believe it is a reasonable  
23 settlement, yes.

24 Q In addition to the  
25 71.65 percent exchange rate of the Series

1 DAVID SKEEL

2 Q What are those contributions  
3 and benefits?

4 A So this is shifting fees to  
5 the structuring fee. The kinds of  
6 contributions that are included in that  
7 include their involvement in structuring  
8 the bond indenture, the new bonds that --  
9 new bond indenture that will be put in  
10 place, the new bonds that will be part of  
11 that. It also includes them committing  
12 to support the plan, to vote in favor of  
13 the plan and in my view, the public good  
14 that they provide as a result of all  
15 that.

16 Q So you switched to the  
17 structuring fee?

18 A Yeah.

19 Q What value or benefits did  
20 National provide in order to justify the  
21 3 percent consummation fee that we were  
22 talking about before?

23 A I think part of that is some  
24 of the same benefits. But the focus of  
25 the fee is primarily on reimbursing

1 DAVID SKEEL

2 attorneys' fees and professionals' fees.

3 Q National is also receiving  
4 what's called an interim charge which is  
5 I think a tenth of a cent per kilowatt  
6 hour during the pendency of PREPA's case;  
7 is that correct?

8 MR. FIRESTEIN: You could  
9 restate your question.

10 Q Are you familiar with  
11 something that has been referred to as an  
12 interim charge that National is also  
13 receiving out of the settlement?

14 A Yes. I'm familiar with the  
15 interim charge.

16 Q And do you believe that's  
17 reasonable?

18 A I believe that is  
19 reasonable, yes.

20 Q What is the basis for that  
21 interim charge?

22 A The interim charge, which I  
23 believe is National's pro rata share of  
24 1 percent, which would work out to I  
25 believe roughly one-ninth of 1 percent,



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2       is kind of a carrying cost fee for the  
3       fact that the plan will not be confirmed  
4       and go effective immediately. And so  
5       it's a payment to them for the delay, in  
6       effect.

7                   Q           And National is not entitled  
8       to post-petition interest; correct?

9                   A           National is -- as things  
10      stand now, if the district court's lien  
11      decision is upheld, if it's appealed,  
12      National would not be entitled to  
13      post-petition interest.

14                  Q           And you're saying if that  
15      was appealed successfully, they could be  
16      entitled to post-petition interest?

17                  A           Potentially, yes.

18                  Q           I want to talk about the  
19      reimbursement claim which you provided  
20      some testimony on earlier. I want to try  
21      to find what I wrote down about your  
22      testimony.

23                               I believe you said you  
24      characterized the National reimbursement  
25      claim as a contractual obligation owed by

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2 PREPA to pay National for moneys that it  
3 paid to bondholders, post-petition, has  
4 interest on the bonds; is that correct?

5 A I would just say the amounts  
6 paid post-petition to bondholders that  
7 National insured.

8 MR. FIRESTEIN: Before you  
9 ask your next question, I have a  
10 technical issue.

11 Q The amounts paid  
12 post-petition, those are interest  
13 payments; correct?

14 A It is primarily interest  
15 payments. I don't know whether there are  
16 other components of that or not.

17 Q And I think the way you  
18 characterized this earlier, your words  
19 that you think that National had a  
20 plausible argument, that they were  
21 entitled to payment on their  
22 reimbursement claim, but not a strong  
23 argument?

24 A In my view, they had a  
25 plausible argument, but not -- it was

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2 entitlement to recovery on account of its  
3 claims, which are unsecured, other than  
4 the approximately \$17 million in the  
5 sinking fund?

6 MR. FIRESTEIN: It's an  
7 incomplete hypothetical.

8 MR. BASSETT: I'll strike  
9 the question. I'll rephrase it.

10 Q So assuming that the  
11 National -- assuming that the summary  
12 judgment decision is not overturned on  
13 appeal, then National only has a secured  
14 claim to the extent of the moneys in the  
15 sinking fund; correct?

16 A That is correct.

17 Q Aside from that secured  
18 claim, on account of whatever unsecured  
19 claim National ends up having against  
20 PREPA, would National have any greater  
21 legal entitlement to recovery than other  
22 general unsecured creditors?

23 MR. FIRESTEIN: Calls for a  
24 legal conclusion, lacks foundation.  
25 You can answer if you understand.

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2 A National's deficiency claim  
3 would be an unsecured claim with the same  
4 status as general unsecured claims.

5 Q So other than the likelihood  
6 of that decision being overturned on  
7 appeal, can you think of any reason why  
8 National's claim is different than  
9 general unsecured claims for purposes of  
10 the 1129(b)1 analysis we talked about  
11 earlier?

12 A Subject to the same  
13 qualifications. If we're talking about  
14 just not the secured portion, we're  
15 talking about the deficiency claim, it  
16 does seem to me that it has the same  
17 stature as a general unsecured claim or  
18 would.

19 Q And it's also possible that  
20 an appeal or -- you understand that it's  
21 possible that the district court will  
22 decide that bondholders have an unsecured  
23 deficiency claim much lower than  
24 \$8.5 billion?

25 A I understand that that is

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2 possible, yes.

3 Q And you understand that it's  
4 possible that following an appeal to the  
5 1st Circuit, the 1st Circuit could  
6 determine that National does not have and  
7 the bondholders do not have any recourse;  
8 correct?

9 A That is possible, yes.

10 Q In fact, depending upon the  
11 outcome of the claim estimation process  
12 pending before the district court, it's  
13 possible that National's settlement could  
14 generate a recovery for National that is  
15 in excess of its allowed claim?

16 A You're going to have to say  
17 that question again. I didn't follow it.

18 Q To the extent that the -- to  
19 the extent the district court were to  
20 determine that the bondholders'  
21 deficiency claim is, let's say, only half  
22 of the asserted amount, which is 8 and a  
23 half billion, then National's claim would  
24 only be half of its asserted amount as  
25 well; correct?